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Department Of Defense
Property Disposal Operations
Need Improvement B-161507

Department of Defense

**UNITED STATES
GENERAL ACCOUNTING OFFICE**

MAY 30, 1974

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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

LOGISTICS AND COMMUNICATIONS
DIVISION

B-161507

The Honorable
The Secretary of Defense 5

Dear Mr. Secretary:

This is our report on the need to improve Department of Defense property disposal operations.

We want to direct your attention to the fact that this report contains recommendations to you which are set forth on pages 10, 15, and 16. As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions he has taken on our recommendations to the House and Senate Committees on Government Operations not later than 60 days after the date of the report, and the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

3 We are sending copies of this report to the Administrator of General Services; the Director, Office of Management and Budget; the Senate and House Committees on Government Operations, Appropriations, and Armed Services; and the Secretaries of the Army, Navy, and Air Force.

Sincerely yours,

A handwritten signature in cursive script, reading "F. J. Shafer".

F. J. Shafer
Director

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ABBREVIATIONS

DOD	Department of Defense
DSA	Defense Supply Agency
GAO	General Accounting Office
GSA	General Services Administration
PDHA	property disposal holding activity
TACOM	U. S. Army Tank-Automotive Command

GENERAL ACCOUNTING OFFICE
REPORT TO
THE SECRETARY OF DEFENSE

DEPARTMENT OF DEFENSE
PROPERTY DISPOSAL OPERATIONS
NEED IMPROVEMENT
Department of Defense
B-161507

D I G E S T

WHY THE STUDY WAS MADE

GAO made this study in response to the direct interest of the Permanent Subcommittee on Investigations, Senate Committee on Government Operations, and the Armed Services Investigating Subcommittee, House Committee on Armed Services, and in fulfillment of GAO's responsibility to review for the Congress Federal activities and programs. C. 01/19/74

GAO inquired into the practices and procedures followed by the Department of Defense (DOD) in reporting, screening, and disposing of excess and surplus personal property in the United States, Europe, and the Far East. H. 03/01/74

Findings from various GAO surveys have been incorporated in this study so that the Defense Supply Agency (DSA), with its new responsibilities, can consider them in establishing its policies, procedures, and controls for improving DOD disposal operations.

OBSERVATIONS AND CONCLUSIONS

In January 1974 DSA became the central manager for all DOD personal property disposal operations, including 232 holding activities and sales offices throughout the world. The centralization of responsibility accomplished by the assignment should improve management of DOD's disposal program. (See p. 3.)

A new Army logistics concept, initiated in 1969, and the Vietnam

retrograde program, which began the same year, resulted in the flow of vast quantities of excess materials into DOD disposal facilities.

This surge of material frustrated disposal operations--particularly utilization screening--and appears to have resulted in the loss of millions of dollars of useable property.

DSA should consider problems experienced in DOD disposal operations resulting from these programs and structure a contingency plan to meet future emergencies. (See p. 4.)

Much excess property sent to DOD disposal yards is reclaimed within a short time and returned to either DOD or other Government agency supply systems.

For example, during 1972 over \$2 billion worth of declared excess material was reclaimed and redistributed for DOD use as a result of utilization screening. However, only \$500 million, or approximately 24 percent, of this property was redistributed before the property had been moved to disposal yards. The remaining \$1.6 billion was redistributed from disposal yards, increasing multiple handling, transportation, and paperwork costs.

This in-and-out movement of property between DOD supply and disposal facilities not only increases costs but frequently frustrates

recovery of needed items. Factors contributing to this movement are

--supply activities frequently sending property to disposal yards without seeking approval and advice of inventory managers and

--procedures requiring that excess property be moved to disposal yards before Government-wide utilization screening has been completed. (See p. 7.)

Premature movement of excess property to disposal yards can be controlled if DOD takes action to improve practices and procedures currently followed in reporting and processing excess property. (See p. 9.)

In many instances useable property has been downgraded and misclassified because

--turning-in activities erroneously reported the property's condition when shipping it to disposal yards where it was accepted without challenge and

--disposal yards downgraded useable property because of difficulties encountered in trying to label property to coincide with different coding systems employed by DOD and the General Services Administration.

As a result, property having potential use was not screened for possible Government-wide use and received only limited utilization review before it was processed for disposal. (See p. 11.)

Other areas which DSA should consider as it assumes management responsibility over DOD disposal operations involve

--inadequate receiving procedures and practices at disposal activities,

--need for more experienced and qualified personnel to conduct disposal operations,

--need for periodic and comprehensive reviews of disposal functions, and

--need for further improvements in demilitarization of munitions items. (See p. 17.)

RECOMMENDATIONS AND SUGGESTIONS

The Secretary of Defense should:

--Strengthen controls to insure that excess property items are reported to inventory managers before the property is sent to disposal yards. (See p. 10.)

--Revise procedures and controls to insure that qualified personnel evaluate the condition of excess property and accurately describe the condition of the property. (See p. 16.)

The Secretary of Defense and the Administrator of General Services should collaborate in establishing

--new procedures and controls to enable both DOD and civil agencies to mechanically screen excess property for Government-wide redistribution before the property is moved to disposal yards (see p. 10.)

--a standard condition coding system for use throughout the Federal Government. As an interim measure DOD should use its existing codes to screen excess property against system-wide DOD requirements before transferring the property to disposal yards. (See p. 15.)

CHAPTER 1

INTRODUCTION

In January 1974 the Defense Supply Agency (DSA) became the central manager for all Department of Defense (DOD) personal property disposal operations, including 232 holding activities and sales offices throughout the world.

Before January 1974 DSA and the various armed services were responsible for managing DOD's property disposal program. This fragmented responsibility created many problems which DOD hopes to correct.

From the beginning of 1969 through 1972, DOD's disposal activities processed material having an original acquisition cost of about \$22.8 billion. Of this amount, material costing \$5.7 billion was sold as usable property; \$14.4 billion was disposed of as scrap; and \$2.7 billion was either donated, abandoned, or destroyed. During this time, through utilization screening of excess property, DOD reclaimed and redistributed property valued at \$9.4 billion to active Government inventories.

OPERATION OF DOD PERSONAL PROPERTY DISPOSAL SYSTEM

Generally when a military unit or supply activity decides that it no longer needs an item in its inventory it prepares a report declaring the item as excess property. The report describes the item and its condition and lists the quantity available and other data necessary to identify the usability of the item. The report is first circulated within the local or theater command to determine if other units need the item. If they do not, it is reported to the national inventory manager in the continental United States. If the manager has no requirement for the item, he provides the unit or supply activity with disposition instructions. Normally such instructions direct that the item be transferred to a disposal yard.

If the item meets established value and condition criteria, the disposal yard reports the excess item to the Defense Property Disposal Service for system-wide DOD utilization screening. Any DOD activity may acquire the property by requisitioning it from the disposal yard through the Defense Property Disposal Service.

If no DOD activity requires the item, it is reported to the General Services Administration (GSA) for screening against civil agencies' requirements.

Any property which survives the DOD and GSA screening process is considered surplus and is made available for donation through the Federal Donation Program. If the property is not requested under this program, it is offered for sale.

CHAPTER 2

PROJECT CLEAN AND THE VIETNAM RETROGRADE PROGRAM

A new logistics concept employed by the Army in 1969 and the beginning of the Vietnam retrograde program that same year resulted in the flow of vast quantities of excess materials into DOD disposal facilities. This surge of material frustrated disposal operations-- particularly utilization screening--and appears to have resulted in the loss of vast amounts of useable property.

DSA should carefully consider the problems experienced in DOD disposal operations resulting from these programs and structure a contingency plan to meet similar future emergencies.

NEW LOGISTICS CONCEPT--PROJECT CLEAN

During the past several years, the Army has changed the logistics support structure of its forces to reduce depot inventories and the multiple echelons of supply activities.

An Army directive issued in November 1969 entitled "Logistics Improvement" instructed all major Army commands to drastically reduce inventory stocks. The Army had observed that some command stock lists were more than double that needed to economically meet demand. For example, the U.S. Army Command in Europe had about 171,000 line items included on its Theater Allowance Stockage List-- 96,000 more than authorized under the new Army policy.

The program to reduce inventory to meet the Army's logistic improvement plan goals was named Project Clean. Its purpose was to identify excess material within each command and insure the prompt redistribution, retrograde, or disposal of such material.

From January 1970 through December 1972 major Army commands redistributed over \$2.3 billion worth of useable material. Although the program was successful, it had its weaknesses, and it appears that millions of dollars worth of useable property were lost through premature disposal. These losses were the result of DOD waiving utilization screening requirements for much of the property processed by its disposal activities in Europe. DOD waived the requirements because the Army reported that the vast quantities of excess property generated by Project Clean were creating critical storage and disposal problems at its disposal yards in Europe. In addition, the work backlog at disposal yards was delaying the Army's inventory reduction goals.

Although we have no way to measure the value of useable property which may have been disposed of due to the waiver of Government-wide utilization screening, project statistics show that the Army disposed of property valued in excess of \$276 million as a result of Project Clean in Europe.

VIETNAM RETROGRADE PROGRAM

The Vietnam retrograde program also affected DOD disposal operations. The retrograde program began in the summer of 1969, and in the next 2-1/2 years 1.9 million short tons of property, valued at over \$5 billion, were removed from Vietnam. Much of this excess material could not be subjected to utilization screening in Vietnam because of time constraints associated with the withdrawal of U.S. Forces and the lack of in-country facilities. Therefore, the property was moved to DOD facilities in Japan, Okinawa, Taiwan, Thailand, Korea, and the United States.

Although there was an urgent need to remove the excess property from Vietnam, we believe the program would have benefited from a contingency plan to better control the accelerated withdrawal and processing of property.

During our visits to disposal facilities in Vietnam, Japan, and Okinawa early in 1973, we observed conditions which lead us to believe that the program was not without avoidable waste.

Lack of intransit documentation and control over property

Many shipments of retrograde property received in Japan and Okinawa lacked any supporting documentation on the nature and type of items shipped. Moreover, there was no advance notice that the shipments were being sent. Without such documentation entire shiploads of property could have been diverted without detection. This is especially important because some of the shipments contained weapons and other sensitive items.

For example, the commanding officer of the U.S. Army Supply and Maintenance Activity at Sagami-hara, Japan, said that most of the retrograde shipments arrived without supporting documentation or advance notice. He also said that weapons and other sensitive items were received in shipments without notice or proper safeguards. As a result these items were unloaded into general cargo holding areas. Weapons and sensitive items should have been identified and directed to more secure holding areas.

Lack of accountability over property

DOD did not have accountability over retrograde property from the time it left Vietnam until it was received at destination activities and had been unpacked, sorted, identified, and added to the accountable records. Because of backlogs at processing activities, much of the retrograde property remained in open storage areas and was subject to pilferage for as long as 8 months before it was processed and accountability established. Without proper accountability there is a greater possibility of undetected loss or theft of property.

Unnecessary damage and loss of property

Retrograde property was unnecessarily damaged or lost through deterioration because it was poorly packed when shipped from Vietnam and placed in open storage and held for a long time before processing at destination activities.

According to U. S. Army officials in Japan, many of the shipping containers contained a myriad of items which appeared to have been packed in haste and many of them had leaked and the enclosed items were water damaged. The long delays in processing the property after receipt resulted in additional damage and loss because items were stored in the open.

We have no way of determining the quantity or value of property lost as a result of these problems in the Vietnam retrograde program. Such conditions are disturbing, however, since theft of Government property has been a longstanding and unresolved problem throughout Southeast Asia.

LESSONS TO BE LEARNED

DOD supply and disposal managers basically did a commendable job in processing and redistributing the vast excesses generated under Project Clean and the Vietnam retrograde program.

However, by studying the problems encountered in these programs DSA can gain valuable information and insight which would assist in structuring a plan to better meet future crises which generate unexpected volumes of excess property and abnormal demands on disposal operations.

CHAPTER 3

IMPROVEMENT NEEDED IN REPORTING AND PROCESSING EXCESS PROPERTY

Much of the excess property sent to DOD disposal facilities is reclaimed within a short time and returned to DOD or other Government agency supply systems. This in-and-out movement of property between DOD supply and disposal facilities not only increases paperwork, handling, and transportation costs but frequently frustrates recovery of needed items.

Two problems contributed to the multiple movement of property within the DOD disposal system. First, supply activities did not always follow established procedures and consequently sent property to disposal yards without seeking the approval and advice of inventory managers; secondly, DOD procedures required that excess property be moved to disposal facilities before Government-wide utilization screening had been completed.

MAJORITY OF RECLAIMED PROPERTY IS REDISTRIBUTED FROM DISPOSAL YARDS

Each year, as a result of utilization screening, millions of dollars worth of declared excess materials are redistributed to DOD and other Government agencies.

Most of the property, however, is not recovered until after it has been physically moved from DOD supply warehouses to disposal yards. For example, during 1972 over \$2 billion worth of declared excess material was reclaimed and redistributed for DOD use as a result of utilization screening. However, only \$500 million, or approximately 24 percent, of this property was redistributed before it was moved to disposal yards. The remaining \$1.6 billion was redistributed from disposal yards.

PROPERTY SHIPPED TO DISPOSAL WITHOUT APPROVAL OF INVENTORY MANAGERS

Most DOD supply items are controlled by national inventory managers who are responsible for insuring that DOD's logistic systems are responsive to user needs. The inventory managers continually procure, stock, and distribute items to meet system requirements. To assist the inventory managers in carrying out this responsibility, DOD has recognized that the managers need to have as much visibility as possible over controlled assets. Accordingly, DOD has issued procedures which require supply activities to retain excess items until they have been reported to the cognizant inventory manager and the manager has approved disposal. Some inventory managers have issued standing instructions to supply activities which provide for the automatic retention and return of listed items. These are referred to as automatic return

item lists and generally include critical and intensively managed items. The list includes disposition instructions for the turning-in activity to follow.

In many instances supply activities had not reported their excesses to the inventory manager before sending the material to disposal yards. In some cases the items were listed on automatic return lists which the inventory manager had provided to the activity. The following examples illustrate situations experienced by the U.S. Army Tank-Automotive Command (TACOM), one of DOD's national inventory managers. TACOM is responsible for managing general-purpose, combat and tactical vehicles and their repair parts.

--TACOM initiated action to recover 2,134 compensators, valued at \$42,210, available in a disposal yard in Okinawa. These items should not have been shipped to the disposal yard because TACOM had listed the compensators on its automatic return list. Had the customer reported the excesses to TACOM, instructions would have been issued to return the items to depot stock.

--TACOM initiated action to recover 33 transmissions, valued at \$36,795, shipped to a disposal yard at Camp Drum, New York. These transmissions were not reported to TACOM, which would have directed that the transmissions be returned to depot stock. During this time TACOM was out of stock and had back orders pending for the items.

We reviewed lists of excess property which the disposal yards furnished to TACOM during a 10-month period and found 172 instances where customers had released property to disposal yards without first reporting the excesses to TACOM. The acquisition cost of the property associated with these actions exceeded \$600,000.

TACOM officials confirmed our observations and said that their customers frequently sent excess items to disposal yards without first reporting and giving TACOM the opportunity to direct redistribution of the items.

The premature shipment of excess property to disposal yards not only results in additional handling and transportation costs but frustrates the recovery of such property. For example, during fiscal years 1972 and 1973 TACOM tried to recover about 2,958 line items of its property which were available in disposal yards. The acquisition cost of this property was \$8.4 million. TACOM found that most of the property was no longer available and was able to recover only 955 items valued at \$3.6 million. The remaining property had either been prematurely disposed of or lost.

EXCESS PROPERTY SHOULD BE SCREENED BEFORE
IT IS TRANSFERRED TO DISPOSAL

Another factor which contributes to the multiple movement of excess property is the apparent premature movement of property to disposal yards to accomplish Government-wide utilization screening.

Under present DOD procedures the major utilization screening does not occur until after the excess property has been physically transferred from customer or supply storage to a designated disposal yard. At the time of transfer, the property is reported to the Defense Property Disposal Service and GSA. These agencies screen or re-view the excess property against Government-wide requirements.

The Defense Property Disposal Service screens the property first against system-wide DOD requirements. This is referred to as a mechanized or mechanical screen because computers match the excess property to previously recorded requirements furnished by DOD inventory managers. Items surviving this 30-day screen are then reported to GSA which prepares and distributes catalogs of selected items to civil agencies for a 60-day screening period. During each of these screening processes, interested customers may visit the disposal yards to physically inspect the property. As a result of screening during 1972, DOD recovered and redistributed \$1.6 billion worth of the excess property held in disposal yards, and GSA recovered about \$642 million worth of property for redistribution to other Government agencies.

We could not measure DOD's costs to move this property back and forth between supply and disposal facilities, but it would appear to be extremely expensive considering that billions of dollars worth of property was involved.

DOD could eliminate much of this problem if it would revise its procedures and subject excess property to Government-wide utilization screening before the property is transferred to disposal yards. We suggested this procedure to DOD officials in November 1973 but received considerable opposition. The principal arguments against our proposal were that:

- To decentralize this responsibility would create unmanageable storage problems and would require supply management resources to control, allocate, and ship those items which supply managers have already determined are no longer required to support their mission.
- Using the military services' supply systems for all military service, DOD, and GSA excess personal property screening before transfer to property disposal offices will require major system and procedural changes.

- Revising the procedures would negate the advantages of the Defense Property Disposal Offices which service more than one defense activity and process material from all services or agencies of DOD throughout the screening periods.
- Many Federal screeners lack mechanical screening capability, and manual screening may necessitate a physical review of the excess assets while the property is in the supply warehouses. Since our supply system does not segregate excess and nonexcess personal property inventories, DOD officials cannot concur with any program which would allow Federal agency screeners access to supply warehouses.

Under present conditions these arguments have merit. We believe, however, that a mechanical screening procedure could be developed and used by both DOD and GSA to accomplish the Government-wide screening. This would reduce screening time and eliminate the need to hold excess property for a long time. We also believe that it would not be necessary for customers to visit warehouses and inspect property if DOD and GSA would work together to establish a standard system for coding and reporting the condition of excess property offered to prospective users. This subject is discussed in detail in chapter 4 of this report.

CONCLUSIONS

The continual shifting of excess materials back and forth between DOD supply and disposal activities seriously affects DOD disposal operations. In addition to the multiple transportation, handling, and paperwork costs being incurred, such movements frequently result in premature disposal and loss of needed property. The premature movement of excess property to disposal yards can be controlled if DOD improves the current practices and procedures followed in reporting and processing excess property items.

RECOMMENDATIONS

We recommend that the Secretary of Defense take action to strengthen controls which will insure that excess property items are reported to inventory managers before the items are sent to disposal yards.

One controlling measure would be to instruct disposal activities to refuse to accept excess property unless there is evidence that the inventory manager has certified that the property is surplus and ready for disposal.

We also recommend that the Secretary of Defense and the Administrator of General Services collaborate in establishing new procedures and controls to enable both DOD and GSA to mechanically screen excess materials for Government-wide redistribution before the property is moved to disposal yards.

CHAPTER 4

IMPROVEMENT NEEDED IN REPORTING THE CONDITION OF EXCESS PROPERTY

An accurate assessment of the condition of excess property is important because it determines whether the property will be subjected to Government-wide utilization screening or processed for immediate disposal.

Our review at four DOD disposal activities disclosed many instances where useable property had been downgraded and misclassified. As a result, property with potential use was not screened for possible Government-wide use and received only limited utilization review before it was processed for disposal.

The condition of useable property was often understated or downgraded because (1) turning-in activities erroneously reported the condition of the property when shipping it to disposal yards where it was accepted without challenge and (2) disposal yards downgraded the condition of useable property in converting it from the DOD condition code to GSA's coding system.

We could not determine the exact amount of serviceable property excluded from Government-wide screening as a result of these factors, but our tests indicated that the condition of items was frequently misstated. For example, we statistically reviewed disposal transactions for a 6-month period at each of the disposal activities visited; 11 percent to 31 percent of the items in our samples were erroneously classified as to potential use. At one disposal yard we projected the value of items improperly classified--16 percent of the items in our sample--to be \$379,000.

DEGREE OF UTILIZATION SCREENING IS CONTINGENT UPON CONDITION

To qualify for Government-wide utilization screening, excess property must meet minimum DOD value and condition requirements. This evaluation is crucial to the potential use of excess property because unserviceable items requiring repair are subjected to a more limited screening process than are the more expensive and serviceable property items. For example, serviceable items are generally held at the disposal yard at least 90 days and are screened against the worldwide requirements of both DOD and civil agencies, whereas items reported to be unserviceable and needing extensive repairs are held for only 15 days to accomplish local area screening. Generally, agency representatives conduct this screening by walking through the disposal area and visually inspecting items. Property not claimed in the screening process is offered for donation or sale.

CODING ERRORS BY TURNING-IN ACTIVITIES

DOD has established a uniform set of codes to describe the condition of its personal property. The codes range from A, serviceable (issue without qualification), to H, unserviceable (condemned). Appendix I describes the codes.

We found many instances where useable property had not been screened to determine its maximum potential use because turning-in activities had assigned codes which erroneously downgraded the condition of the property. The following examples illustrate the need for turning-in activities to more carefully consider the condition of excess property when reporting it to disposal activities.

An activity turned in 18 tracked road graders, with an acquisition value of \$345,000, to the Tooele Army Depot disposal yard at Ogden, Utah. The activity had coded the graders as being unserviceable and uneconomical to repair. The depot accepted this condition and the graders were subjected to local screening under a condition description--no further use as originally intended but of possible value other than scrap. The Department of Commerce acquired the graders, and officials of that agency told a GSA official that 16 of the graders had been restored to a serviceable condition at a relatively low cost. The two remaining graders had been cannibalized for parts.

Machine tools consisting of lathes, milling machines, etc., were turned in to the disposal yard at Hill Air Force Base, Utah. The acquisition value of these items was \$594,000. All of the tools had a red tag stating "condemned, worn beyond 65 percent economical repair." This kept the equipment from receiving Government-wide screening. In the process of local screening, a GSA official saw the machines and requested machinists of the Utah National Guard and the University of Utah to inspect the machines and report their opinions. They reported that the machines were in good to excellent condition and could be used without repairs. GSA recovered the property and redistributed the machines to various civil agencies.

GSA redistributed a TD 24 tractor from the Tooele Army Depot disposal yard to the Bureau of Indian Affairs. The tractor had an acquisition value of \$25,000 and the turning-in activity had reported it to be unserviceable and uneconomical to repair. A GSA official stated that the tractor was stenciled "Rebuilt 1969" and its paint was not even scratched. The engine was clean and without rust and the tractor had new tracks showing no signs of use. Bureau of Indian Affairs personnel stated that the tractor started easily with only minor engine adjustments and functioned perfectly.

Ten brand new 1/2-ton trailers were turned in to the Tooele Army Depot disposal yard. Some of the trailers had never touched the ground because they were mounted on one another. The wire terminal cover mounted on the tongue was knocked loose on each of the trailers, otherwise they were undamaged. The trailers were subjected to local screening classified and labeled "no further value for use as originally intended but of possible value other than scrap." GSA recovered and redistributed all of the trailers.

These examples also indicate that property is not being adequately inspected when received at disposal yards. Under present procedures disposal personnel are required to inspect and verify the condition of property before it is reported for utilization screening. We found no evidence to show that disposal inspectors had challenged or upgraded the condition of property cited in our examples.

Fortunately the Government was able to recover and use the property discussed in our examples. A GSA Area Utilization Officer said, however, that for every improperly coded item he discovers and transfers to a Federal agency, he estimates that 10 get by and are sold.

NEED TO STANDARDIZE DOD AND GSA CONDITION CODING SYSTEMS

Under current procedures excess property cannot be reported to the Defense Property Disposal Service and GSA for Government-wide screening until after disposal-yard officials have inspected the property and converted the DOD condition code to 1 of 18 GSA codes. (See appendix II.)

At the present time computers cannot be used to mechanically convert the DOD codes to GSA codes and disposal personnel must physically inspect the property and manually convert the codes. The conversion is difficult and frustrating because the two coding systems are not compatible. The DOD condition codes generally indicate whether property is serviceable or unserviceable and if parts and repair are required. GSA codes require that fine distinctions be made concerning the degree of usability and the degree of repair required. For example, DOD condition code A denotes that property is new, used, repaired, or reconditioned material which is serviceable and issuable to all customers without limitation or restriction. An item with the DOD code A could correspond and could convert to any one of the following GSA codes.

- N-1 --- New or unused property in excellent condition. Ready for use and identical or interchangeable with new items delivered by a manufacturer or normal source of supply.
- N-2 --- New or unused property in good condition. Does not quite qualify for N-1 because it is slightly shopworn, soiled, etc., but condition does not impair utility.

- E-1 --- Used property but repaired or renovated and in excellent condition.
- E-2 --- Used property which has been repaired or renovated and, while still in good useable condition, has become worn from use and cannot qualify for excellent condition.
- 0-1 --- Property which has been slightly or moderately used, no repairs required, and still in excellent condition.
- 0-2 --- Used property, more worn than 0-1 but still in good condition with considerable use left before any repairs would be required.

It appears that the potential use of serviceable property is often severely restricted when disposal personnel convert the DOD condition codes to the more precise GSA codes. We found many instances where property had been turned in under a DOD code indicating that the property was serviceable or economically repairable only to be downgraded and excluded from Government-wide screening because it was given an improper GSA condition code. Several examples follow.

A crankshaft for a diesel engine valued at \$13,812 was turned in under DOD condition code A--serviceable and issuable without limitation or restriction. Warehousemen at the disposal yard downgraded the crankshaft, assigning it GSA condition code R4--used, poor condition. The R4 condition excluded the crankshaft from Government-wide utilization screening. We asked the marketing specialist at the disposal yard to examine the crankshaft since it was in its original packing and there was no evidence that it had been damaged. He concluded that the crankshaft should have been assigned GSA code N-2--unused, good condition--and screened against Government-wide requirements.

A generator valued at \$876 was turned in by a naval activity under DOD code F--unserviceable but economically repairable. At the disposal yard, it was given GSA code X, which labeled it as uneconomical to repair. The generator could have received Government-wide screening under the DOD code.

A naval activity turned in 22 guide assemblies under DOD condition code A. The acquisition cost of the 22 items totaled \$8,712. At the disposal yard the guides were downgraded to GSA code R4 and excluded from Government-wide utilization screening. At our request, the property was reinspected and it was determined that the guide assemblies were unused and in good condition.

Many of the excess items turned in to disposal yards are highly sophisticated and technical. To evaluate the condition of these items in terms demanded by the GSA condition codes requires a great deal of technical expertise on the part of individuals inspecting and evaluating

the items. However, sometimes unqualified warehousemen have been assigned to inspect the property and evaluate its condition at disposal activities. This may explain why serviceable property was often downgraded when assigned a GSA condition code at the disposal yard.

During 1971 the DOD Logistics Systems Policy Committee established a task group (Task Group 2-71) to make a full-scale study of DOD's property disposal operations. The task group issued its report entitled "Report on DOD Personal Property Disposal Organization" in October 1971. The different condition coding systems used by DOD and GSA were discussed in the report, and the report recommended that DOD and GSA establish a joint task group to develop a standard condition coding system for use throughout the Federal Government. In support of this recommendation, the report stated:

"Only 12 percent of the total line items of useable property reported to GSA went to agencies that do not use DOD condition codes (i.e., Federal civil agencies and donees). For most of these activities, the detailed condition of the item, as reflected in the GSA code, is not the basis for acceptance or rejection decisions. This data indicates that there is actually only a very small use made of the GSA condition code after it has been applied to all items reported to GSA for screening. For this reason, and until a standard Federal Government condition coding system is established, it is our consensus that the DOD condition codes should be used in supply system reporting, and that the GSA condition codes be provided for specific items, and only upon request of requiring activities."

CONCLUSIONS

We believe that the task group's recommendation has considerable merit. A standard condition coding system which could be used by both DOD and GSA would not only eliminate the code conversion process required under the present dual coding system but would also enable DOD to mechanically screen excess property against Government-wide requirements without physically moving the property to disposal yards.

On the other hand a standard condition coding system will only partially correct the problems discussed in this chapter. The downgrading of useable property as a result of erroneous condition evaluations by turning-in activities and disposal yards also demands immediate attention.

RECOMMENDATIONS

We recommend that the Secretary of Defense and the Administrator of General Services collaborate in establishing a standard condition coding system for use throughout the Government. As an interim measure DOD should use its existing codes to screen excesses against system-wide DOD requirements. As discussed in chapter 3, this could be done before transferring property to disposal yards.

We also recommend that the Secretary of Defense strengthen controls to insure that qualified personnel make excess property condition evaluations and accurately describe the potential use of the property.

CHAPTER 5

OTHER MATTERS AFFECTING DISPOSAL OPERATIONS

Several other problem areas which DSA should consider as it assumes management responsibility over DOD disposal operations involve

- inadequate receiving practices at disposal activities,
- need for more experienced and qualified personnel to conduct disposal operations,
- need for periodic and comprehensive reviews of disposal functions, and
- need for improvements in demilitarization of munitions items.

INADEQUATE RECEIVING PRACTICES AT DISPOSAL ACTIVITIES

The Defense Property Disposal Manual requires that materiel received by a property disposal activity should be:

- Accompanied by the appropriate documents properly prepared by the turning-in activity.
- Inspected upon receipt to insure that all information relating to the property is factual. Inspection should consist of verifying property description, condition, and quantity as listed on the turn-in document. Physical inspection is usually mandatory for assigning a true condition code for screening purposes.
- Refused if it requires special handling. Such items include drugs, classified items, and other sensitive or hazardous material.
- Entered on accountable records in accordance with the procedures established by the parent military service or Defense agency.
- Adequately stored to prevent loss of property from deterioration or theft.

The following practices at disposal yards contributed to the loss of valuable and useable property.

- Large amounts of property were accepted without the required turn-in documents. As a result, accountability was lost over this property.

--Boxes and crates containing property were often screened, sold, or otherwise disposed of without being opened to inspect the contents. Disposal actions were taken as a result of property descriptions as stated on turn-in documents and markings on the outside of the shipping container. The individual items were not inspected to verify their actual condition.

DOD internal audit reports of disposal activities in the United States, Europe, and the Far East have disclosed other examples of inadequate receiving procedures and practices. The audit reports were based on work done during 1972 and 1973. Some of the major problems identified were:

- Disposal activities accepted drugs, classified items, and cryptographic material in violation of DOD regulations.
- Serious weaknesses existed in procedures for receiving small arms up through 50-caliber machine guns. Disposal activities did not control incoming shipments or make detailed inspections and counts of the contents of boxes containing small arms upon receipt. For example, weapons had been on hand at one activity for as long as 700 days before the Property Disposal Branch counted and signed for them.
- Accountability was not established over property within prescribed or reasonable periods of time after receipt. For example, at one activity Navy auditors found that it took an average 286 days, rather than the prescribed 2 days, to establish accountability. As of December 1972 the activity estimated that it had about \$3 million (original acquisition cost) worth of property on hand for which it had not established accountability.
- Material was not adequately stored and valuable property was lost through deterioration and pilferage.

Some of the deficiencies cited can be attributed to the large amounts of property which resulted from Project Clean and the Vietnam retrograde program. (See chapter 2.) Disposal personnel complained that they received such large volumes of property as a result of these programs that it was physically impossible to properly process the property with the resources available.

The conditions which we and the DOD auditors found were not entirely attributable to the special situations described above. We believe there is a need for DSA to strengthen receiving practices at disposal activities.

NEED FOR MORE EXPERIENCED AND QUALIFIED PERSONNEL TO CONDUCT DISPOSAL OPERATIONS

The services have not had career fields in the property disposal area. As a result many of the personnel involved in disposal operations

have had no formal training and are not qualified to do their jobs. In Europe, for example, young, inexperienced officers were often put in charge of disposal yards without the benefit of any formal training. In some cases they had also been assigned other duties, and surveillance of disposal activities was only part of their job.

The rapid turnover of military personnel because of short duty tours further complicates the experience factor. For example, in Europe the normal Army tour of duty is 2 years. Tours are even shorter for disposal officers. The civilian assistant at one disposal yard--a German national employee--said that she had served under 23 disposal officers during the 24 years she had worked at the yard. This particular activity received a great deal of criticism during July 1972 congressional committee hearings on disposal operations.

DSA officials said career fields in property disposal management have been established and that personnel assigned to the Defense Property Disposal Service will be required to participate in appropriate training courses conducted by the Army Logistics Management Center at Fort Lee, Virginia.

These actions are major steps in improving the technical qualifications of personnel working in disposal operations. Formal training at all levels of disposal operations would help to reduce the problems discussed in this report.

NEED FOR PERIODIC AND COMPREHENSIVE REVIEW OF DISPOSAL OPERATIONS

DOD disposal activities have been subjected to numerous and intensive audits and inspections. In most cases, however, the audit or inspection has been directed at a specific problem area and has not provided a broad comprehensive review of all interrelated disposal functions.

In Vietnam, for example, there were 30 audits or inspections of property disposal operations and related areas in 1972, as follows.

- The U.S. Army Audit Agency conducted a series of audits covering disposal functions at various locations.
- The U.S. Army Criminal Investigations Division made 14 Crime Prevention Surveys.
- The Department of the Army Inspector General inspected all property disposal holding activities (PDHAs).
- The Inspector General of the U.S. Army, Pacific, made special inspections of all PDHAs and support commands.

- The Military Assistance Command, Vietnam, studied property disposal operations and related activities in Vietnam covering 1969 to 1972.
- The Inspector General of the U.S. Army, Vietnam, annually inspected the Army Property Disposal Agency, Vietnam, and its PDHAs.
- The U.S. Army, Vietnam, Deputy Chief of Staff for Logistics Audit Review Team reviewed PDHAs at Da Nang, Qui Nhon, and Cam Ranh Bay.
- The U.S. Army, Vietnam, Deputy Chief of Staff for Logistics established an ad hoc committee in January 1972 which included a team from the Criminal Investigations Division to review aspects of property accountability associated with property disposal operations.
- The U.S. Army Property Disposal Agency, Vietnam, Internal Review Board examined 790 sales contracts.

The number of such studies could be reduced if DOD would establish procedures to provide for periodic and comprehensive examinations of disposal operations by DSA internal auditors.

DSA officials have indicated that the DSA Auditor General and Inspector General will make regular periodic audits and inspections. Moreover, DSA has proposed to the Deputy Assistant Secretary of Defense for Administration that a single investigative organization within DOD be assigned the basic responsibility of insuring worldwide criminal investigative support for property disposal operations.

DEMILITARIZATION OF MUNITIONS ITEMS NEEDS IMPROVEMENT

During its July 1972 hearings on DOD property disposal operations in Europe, the Permanent Subcommittee on Investigations, Senate Committee on Government Operations, identified and discussed major weaknesses in the demilitarization of munitions items before disposal. The most serious problem discussed was DOD's inability to identify munitions items that were obviously lethal or had a strictly military use. Because such items were not properly identified, procedures intended to control the disposition of the items had not been effective and many undemilitarized munitions items had been sold to unauthorized purchasers.

After the hearings the Assistant Secretary of Defense for Installations and Logistics issued several memorandums designed to strengthen

controls over the demilitarization of munitions items. The most current criteria are contained in his December 8, 1972, memorandum, which requires that:

1. All property designated in the Defense Demilitarization Manual is to be demilitarized as prescribed therein.
2. Lethal items and their components which are not commercially available will be identified as requiring demilitarization before the time accountability is transferred to a disposal activity. The disposal activity will insure that such items are properly demilitarized.
3. Property not covered in numbers 1 and 2 above may be released for sale after utilization screening regardless of its Federal supply classification.

In addition to these criteria, the military services and Defense agencies were given the responsibility for identifying each item in the supply system which requires demilitarization and the Director of the Defense Supply Agency was instructed to develop a series of standard codes to be affixed to each applicable Federal stock number to show the type of required demilitarization--crushing, cutting, burning, or smelting. The use of these codes by all inventory control points is to insure that each item requiring demilitarization is identified the same way on every supply system record and management data list.

Most of these policies and procedures have been implemented. However, some activities have not been following even the most rudimentary requirements to insure that applicable items have been properly demilitarized before disposal. For example, in February 1973 a disposal yard in the Pacific theater had two lots of property that contained munitions items requiring demilitarization. The property disposal officer was unaware that these items were in the yard and that they had remained in unsecured storage for more than 30 days. The disposal officer explained that demilitarization had been one of his major problems because turning-in activities were not segregating and identifying items requiring demilitarization when forwarding them for disposal.

DOD internal audit reports of six disposal activities in the United States disclosed other examples of demilitarization problems and the lack of control over munitions items.

The audit reports were based on work performed late in 1972 and early in 1973 and identified a wide range of problems. Some of the major problems were:

- Many varying opinions existed on the intent of the policy on demilitarization of components, parts, and accessories which contribute to the lethal nature of excess materiel.

- Turning-in activities did not identify munitions items requiring demilitarization.
- Disposal yards did not have the means or expertise to identify munitions items requiring demilitarization.
- Munitions items were not properly demilitarized in accordance with DOD requirements.
- There was a lack of accountability and control over munitions items requiring demilitarization, and some of the items could not be accounted for.
- Some munitions items requiring demilitarization were sold to foreign buyers in an undemilitarized condition and without certification that they would not be used for military purposes.

Many of these deficiencies may be eliminated by recent DOD efforts to improve management of the demilitarization program. However, DSA should closely monitor the program to measure the effectiveness of the actions taken by DOD to strengthen and control demilitarization procedures.

CONCLUSIONS

DSA has already taken action to correct most of the problems discussed in this chapter. Although we are not making specific recommendations, DSA should consider the remaining matters as it formulates new policies and procedures to control and improve DOD personal property disposal operations.

CHAPTER 6
SCOPE OF STUDY

We visited and observed disposal operations at U. S. military installations and property disposal holding activities from January 1972 through June 1973. We examined disposal regulations and the procedures and practices which DOD activities followed in reporting, screening, and disposing of excess property in the United States, Europe, and the Far East. We also interviewed DOD officials who were knowledgeable about the matters under review.

Our work was performed at the following installations.

DEPARTMENT OF DEFENSE

Office of the Assistant Secretary of Defense for Installations and Logistics, Pentagon

Defense Supply Agency, Alexandria, Virginia

Defense Property Disposal Service, Battle Creek, Michigan

Defense Construction Supply Center Property Disposal Holding Activity, Columbus, Ohio

DEPARTMENT OF THE ARMY

Office of the Assistant Secretary for Installations and Logistics, Pentagon

U. S. Army Tank-Automotive Command, Warren, Michigan

Tooele Army Property Disposal Holding Activity, Ogden, Utah

Headquarters, U. S. Army, Europe, and 7th Army, Heidelberg, Germany

Headquarters, U. S. Army, Theater Support Command, Europe, Worms, Germany

Headquarters, U. S. Army, Materiel Management Agency (formerly Materiel Command), Europe, Zweibruecken, Germany

U. S. Army property disposal holding activities:

Germersheim, Germany

Giessen, Germany

Hanau, Germany

Kaiserslautern, Germany

Ludwigsburg, Germany

DEPARTMENT OF THE ARMY (Continued)

Headquarters, U.S. Army, Pacific, Hawaii

Headquarters, U.S. Army, Japan, Camp Zama, Japan

Headquarters, U.S. Army Supply and Maintenance Activity,
Sagamihara, Japan

Headquarters, U.S. Army Base Command, Okinawa

Pacific Utilization and Redistribution Agency, Okinawa

U.S. Army Medical Materiel Agency, Pacific, Okinawa

Headquarters, 8th U.S. Army, Yongsan, Korea

Headquarters, U.S. Army, Vietnam, Military Assistance Command,
Vietnam Support Command

Office of the Defense Attache, Vietnam

U.S. Army Property Disposal Agency, Vietnam

U.S. Army property disposal holding activities:
Sagamirhara, Japan
Camp Mercy, Okinawa
Bupyong, Korea
Long Binh, Vietnam

DEPARTMENT OF THE NAVY

U.S. Naval Supply Center, Oakland, California

U.S. Navy property disposal holding activities:
Alameda, California
Mare Island Naval Shipyard, Vallejo, California

U.S. Naval Supply Center, Pearl City, Hawaii

U.S. Navy property disposal holding activity, Pearl City, Hawaii

DEPARTMENT OF THE AIR FORCE

Hill Air Force Base Redistribution and Marketing Center
and Holding Activity, Utah

Headquarters, U.S. Air Forces, Europe, Wiesbaden, Germany

Headquarters, Materiel Asset Redistribution Center, Europe,
Weisbaden, Germany

DEPARTMENT OF THE AIR FORCE (Continued)

U. S. Air Force redistribution and marketing holding activities:
Mainz Kastel, Germany
Ramstein, Germany

Headquarters, 5th U. S. Air Force, Osan Air Base, Korea

U. S. Air Force Redistribution and Marketing Holding Activity,
Osan Air Base, Korea

DOD CONDITION CODES

<u>Code</u>	<u>Title</u>	<u>Definition</u>
A	Serviceable (issuable without qualification)	New, used, repaired, or reconditioned materiel which is serviceable and issuable to all customers without limitation or restriction.
B	Serviceable (issuable with qualification)	New, used, repaired, or reconditioned materiel which is serviceable and issuable for its intended purpose but which is restricted from issue to specific units, activities, or geographical areas by reason of its limited usefulness or short service-life expectancy.
C	Serviceable (priority issue)	Items which are serviceable and issuable to selected customer, but which must be issued before Condition A and B materiel to avoid loss as a usable asset.
D	Serviceable (test/modification)	Serviceable materiel which requires test, alteration, modification, conversion or disassembly. (This does not include items which must be inspected or tested immediately prior to issue.)
E	Unserviceable (limited restoration)	Materiel which involves only limited expense or effort to restore to serviceable condition and which is accomplished in the storage activity where the stock is located.

APPENDIX I

<u>Code</u>	<u>Title</u>	<u>Definition</u>
F	Unserviceable (reparable)	Economically reparable materiel which requires repair, overhaul, or reconditioning (includes reparable items which are radioactively contaminated).
G	Unserviceable (incomplete)	Materiel requiring additional parts or components to complete the end item prior to issue.
H	Unserviceable (condemned)	Materiel which has been determined to be unserviceable and is uneconomical to repair (includes condemned items which are radioactively contaminated).

GSA CONDITION CODES

<u>Code</u>	<u>Title</u>	<u>Definition</u>
N-1	New-excellent	New or unused property in excellent condition. Ready for use and identical or interchangeable with new items delivered by a manufacturer or normal source of supply.
N-2	New-good	New or unused property in good condition. Does not quite qualify for N-1 (because slightly shopworn, soiled, or similar), but condition does not impair utility.
N-3	New-fair	New or unused property in fair condition. Soiled, shopworn, rusted, deteriorated, or damaged and its utility is slightly impaired.
N-4	New-poor	New or unused property so badly broken, soiled, rusted, mildewed, deteriorated, damaged, or broken that its utility is seriously impaired.
E-1	Used-reconditioned-excellent	Used property, but repaired or renovated and in excellent condition.
E-2	Used-reconditioned-good	Used property which has been repaired or renovated, and, while still in good usable condition, has become worn from further use and cannot qualify for excellent condition.

APPENDIX II

<u>Code</u>	<u>Title</u>	<u>Definition</u>
E-3	Used-reconditioned-fair	Used property which has been repaired or renovated, but has deteriorated since reconditioning and is only in fair condition. Further repairs or renovation required or expected to be needed in near future.
E-4	Used-reconditioned-poor	Used property which has been repaired or renovated and is in poor condition from serious deterioration such as from major wear-and-tear, corrosion, exposure to weather, or mildew.
0-1	Used-usable without repairs-excellent	Property which has been slightly or moderately used, no repairs required, and still in excellent condition.
0-2	Used-usable without repairs-good	Used property, more worn than 0-1, but still in good condition with considerable use left before any important repairs would be required.
0-3	Used-usable without repairs-fair	Used property which is still in fair condition and usable without repairs; however, somewhat deteriorated, with some parts (or portion) worn and should be replaced.
0-4	Used-usable without repairs-poor	Used property which is still useable without repairs, but in poor condition and undependable or uneconomical in use. Parts badly worn and deteriorated.

APPENDIX II

<u>Code</u>	<u>Title</u>	<u>Definition</u>
R-1	Used-repairs required-excellent	Used property, still in excellent condition, but minor repairs required (repairs would not cost more than 10% of standard price).
R-2	Used-repairs required-good	Used property, in good condition but considerable repairs required. Estimated cost of repairs would be from 11% to 25% of standard price.
R-3	Used-repairs required-fair	Used property, in fair condition but extensive repairs required. Estimated repair costs would be from 26% to 40% of standard price.
R-4	Used-repairs required-poor	Used property, in poor condition and requiring major repairs. Badly worn, and would still be in doubtful condition of dependability and uneconomical to use if repaired. Estimated repair costs from 41% to 65% of standard price.

APPENDIX II

<u>Code</u>	<u>Title</u>	<u>Definition</u>
X	No further value for use as originally intended but of possible value other than as scrap	Personal property that has some value in excess of its basic material content but which is in such condition that it has no reasonable prospect of use for any purpose as a unit (either by the holding or any other Federal agency) and its repair or rehabilitation for use as a unit (either by the holding or any other Federal agency) is clearly impracticable. Repairs or rehabilitation estimated to cost in excess of 65% of standard price would be considered "clearly impracticable" for purpose of this definition.
S	Scrap	Material that has no value except for its basic material content.

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